

## **Financial and Reconciliation Requirements** **(Loan Purchase Program)**

### **Financial Reporting Requirements:**

1. Produce the Treasury Report on Receivables (TROR), for each portfolio, on a monthly basis. The report must meet all Treasury/FMS guidance (attached below). The TROR must also:
  - a) Be provided in Microsoft Excel Format (attached below);
  - b) Be provided for the previous month by the 8th business day of the current month;
  - c) Include all supporting data / documentation. The supporting documentation must also be provided for the previous month (e.g., aging information, status information, etc.) in Microsoft Excel format, by the 8th business day of the current month.



TROR\_instructions\_yr2007.doc



TROR\_form\_yr2007-with%20formulas(1).

2. Each specific activity (e.g., Collection of Principal, Collection of Interest, etc.) must be uniquely identified in the transaction level data.
3. Provide ad-hoc reporting capabilities, allowing for detailed support data for what is transferred to FMS.
4. Provide Trial Balance reports by Fund, detailed Trial Balance reports by transaction type.
5. Provide Loan portfolio performance reports (by Fund, Loan Type, cohort year and risk category).
6. Provide the required accounting reports. A preliminary list is presented below. Descriptions of key reports are provided in the attached.
  - a) Trial Balance by Fund & a Working Trial Balance By Fund
  - b) Detailed Trial Balance by transaction type
  - c) Consolidating Trial Balance (All Funds)
  - d) Monthly & Annual Subledger Reports (to include Closing reports)
  - e) Error Reports
  - f) Accounting Distribution Reports
  - g) Subledger Reconciliation Reports
  - h) Transaction Tables
  - i) Ad hoc. Query Capabilities
  - j) Cash Receipt Detail

- k) Unapplied Cash Detail
- l) Cash Disbursement Detail
- m) Specific Collection Reports (e.g. Treasury Offset, Wage Garnishment, Department of Justice, Collection Agencies)
- n) Report of Debts Assigned by Assignor (Lender, GA, Intra-Fund Transfers)
- o) Report of Loans Consolidated (by Fund, Cohort Year, Loan Program Type, Risk Category)
- p) Report of Loans Rehabilitated
- q) Receivable Aging Reports (by Fund, Cohort Year, Loan Program Type, Risk Category)
- r) Automated Receivables Due From the Public Reporting (TROR)
- s) Loan Portfolio Analysis
- t) SF-224 for cash transactions with Treasury ED Form
- u) ED Form 1207 (FISL loan Program Claim Form)
- v) 553 (Perkins Loan Program Assignment Form)
- w) Trial balance reports indicated under "Reconciliation
- x) Loans Receivable Aging Reports
- y) Loan portfolio performance reports (by Fund, Loan Type, cohort year, & Risk Category)
- z) Ad Hoc reports; Need the capability for reporting by all data elements, segments, etc.
- aa) Others as determined



ListofReports.xls

7. Provide ad hoc reporting capabilities. Flexibility is needed to allow the user to choose a variety of data elements. At the very least, the user should be able to run queries against the loan servicing system to provide support to financial and analytical data that the system feeds to FMS and FMSS. The results of the ad hoc reports need to be accurate, up to date and produced in a timely manner. Data must reconcile to the database and FMS/FMSS.

**Accounting – File and Interface Layouts:**

1. Create a financial interface between the FSA Servicer and FSA Financial Management System (FMS) to provide financial data to FMS on a daily, weekly and monthly basis.

- a) The data and data layouts to be provided within this interface are described in the attached:



"FMS Servicing File  
Layout2.xls"

- b) Submission / send rules for these transmissions are:
  - i. In addition to daily transaction files, servicer shall send weekly (summary) and monthly (interest and adjustment) files to FMS
  - ii. Servicer shall use secure FTP processes to place daily, weekly and monthly files on the FMS server for processing in FMS

### **Reconciliations:**

1. Perform reconciliations of balances and activity as requested that meet the following general requirements:
  - a) Reconciliation activity should demonstrate that all required data is transmitted to the Department and that all omissions, duplications of data, and recording errors are detected and corrected timely.
  - b) All reconciliations and financial accounting will be inclusive of principal, interest and fee amounts.
  - c) All FFEL programs are to be accounted, reported & reconciled individually (distinct portfolios).
  - d) Portfolio balances must be supportable at the loan level.
  - e) Unless otherwise instructed, all reconciliation processes must identify & define specific transactions causing differences.
  - f) Unless otherwise instructed, all requirements apply to each FFEL portfolio.
  - g) Monthly reconciliations are due to FSA by the 8<sup>th</sup> calendar day of the subsequent month. (Reconciliations for the month of June are due July 8<sup>th</sup>)
  - h) Monthly reconciliations require contractor review by at least one level of management.
  - i) Monthly reconciliations require the signature of the preparer and reviewer and the date of signature.
  - j) Signed monthly reconciliations and all necessary supporting documentation are to be provided to FSA in Adobe pdf format.
  - k) Contractor is to provide reports in the file format requested by FSA. File format types would include but are not limited to: the Microsoft Office Professional Suite (Excel, Word, Access, etc...), Adobe (.pdf), text (.txt), comma delimited (.csv) etc...
  - l) Daily reconciliations are not standard deliverables to FSA but are considered operational processes and subject to internal control testing.
  - m) Unless otherwise instructed, all reconciling items arising from monthly reconciliations are to be researched and cleared within the month subsequent to the reconciled period. For example, reconciling items for the month of June must be cleared within July. This eliminates repeat reconciling items.
  - n) Unless otherwise instructed, all reconciling items arising from daily reconciliations are to be researched and cleared within 48 hours.
  - o) Daily reconciliations include tracking and resolution of all work in process activity.
  - p) Restrict access to FSA held loans being serviced on the FFEL Servicing system. Access must be limited to personnel who have obtained clearances and who are specifically authorized to view or perform transactions & services on loans held by FSA.

2. Reconcile portfolio balances and activity:
  - a) Monthly reconciliation between FFEL Servicing Trial Balance by Portfolio and FSA's general ledger (FMS) trial balance for each individual balance sheet account (balances & activity).
3. Reconcile loan sales:
  - a) Perform daily 3-way reconciliation between invoice (pre-sale report), Bill of Sale from selling lender, and conversion reports from FFEL system. Offeror must be able to produce the reconciliation at the deal, invoice, lender and summary level.
  - b) Perform daily and monthly over/underpayment reconciliation between the Selling lender, FFEL Servicing System, FMS and Treasury.
  - c) Maintain resulting accounts receivable/accounts payable reconciliation of over/underpayment activity between the Selling lender & FMS. To include:
    - i. Maintain balance of receivables from sellers, payables to sellers
    - ii. Invoice sellers for accounts receivables
    - iii. Process FMS accounts payable refund request to sellers (see Refund Reconciliations for specific requirements)
    - iv. Process overpayment refund collections from Selling lenders
    - v. Maintain clear audit trail of overpayment refund transactions processed to Treasury deposits.
  - a) Daily reconciliation to assure that the FMS net funding transactions purchasing loans equal the net loans booked to the FFEL Servicing system by the next day.
  - b) Daily reconciliation of activity sent from sellers to booking on FFEL Servicing
4. Reconcile transfers:
  - a) Servicer will provide for loan exchange and reconciliations between FFEL servicing system and FSA servicing systems. Servicer will maintain portfolio integrity upon re-entry into the FFEL servicing system.
  - b) Perform daily reconciliation of transfers of loans between the FFEL Servicing system and each FSA servicing system.
  - c) Perform monthly reconciliation of transfers of loans between the FFEL Servicing system and each FSA servicing system.
5. Reconcile cash collections:
  - a) Need Treasury lockbox operation to receive payments.
  - b) NOTE: "Recycle File" is defined as transactional level unapplied cash balance data at the FFEL Servicing System.
  - c) Record all incoming check & electronic collections received to cash clearing account/recycle file (level 1); reverse collection transactions from cash clearing account/recycle file when posted to borrower accounts (level 2). Each Level 1 & level 2 cash transaction must use

appropriate Treasury Schedule Number (SF215/deposits, SF5515/returns, SF1081/non-cash transactions, & SF1166/refunds). The application process must be completed within 48 hours of collection receipt.

- d) Maintain document number (Treasury schedule number) control for reconciliation and tracking of all cash transactions (SF215 for deposits and SF5515 for payment returns), refunds (SF1166); and non-cash items (SF1081)
  - e) Reconcile all cash activity to Treasury daily. This includes, but is not limited to, electronic funds transfer (EFT), checks (SF1166), Intra-governmental Payment and Collection (IPAC) System/SF1081 payments, internal electronic cash transactions, and any other payments to or deposits with Treasury.
  - f) Perform daily collection reconciliation among the Treasury lockbox, FFEL Servicing System & FMS general ledger. Collection transactions are to be posted to FMS daily.
  - g) Daily reconciliation to ensure Total Cash Received (check & electronic) = (Total Cash Payments Posted to Borrower's accounts + New Recycle File Items).
  - h) Daily reconciliation to ensure Outstanding Recycle File Balance = (Beginning Recycle File Balance + New Recycle File Items - Recycle File Items Posted to Borrower Accts - Refunds of Misdirected Payments - Treasury Escheatment).
  - i) Monthly reconciliation of cash clearing account/recycle file balance at the FFEL Servicing system to the FMS Unapplied Collections general ledger account.
  - j) Monthly aging schedule of clearing account/recycle file balances by Treasury Schedule & loan level.
  - k) Monthly reconciliation of Treasury lockbox bank statement to FMS and Treasury.
6. Reconcile refunds:
- a) Daily refund reconciliation among the FFEL Servicing System, FMS and Treasury systems.
  - b) Maintain three-way reconciliation of refund activity among the FFEL Servicing system, FMS accounts payable system and Treasury.
    - i. Process overpayment refunds to FFEL borrowers via Treasury check and process refund cancellations and stop payments.
    - ii. Maintain clear audit trail of refund and refund cancellation transactions processed to Treasury checks and Treasury cancellations.
    - iii. Track and reconcile refund transactions to Treasury checks and refund cancellation transactions to stop payments and Treasury cancellations.
  - c) Maintain document number (Treasury schedule number) control for reconciliation and tracking of all cash transactions (SF215 for deposits

and SF5515 for payment returns), refunds (SF1166); and non-cash items (SF1081)

- d) Monthly refund reconciliation among FFEL Servicing System, FMS & Treasury.

7. Provide ad hoc reporting tools for reconciliations:

- a) Ad-Hoc reporting is required to meet the business requirements. FFEL Servicer to provide FSA access to a robust financial reporting database query tool (DataMart) that is based upon or mirrors the servicing system.
- b) DataMart must provide standard & ad hoc reporting capability directly to FSA user. FSA user will have the ability to save custom queries/reports.
- c) Servicer must provide a DataMart Help Desk operation that will be fully staffed during normal business hours (8am – 5pm EST).
- d) DataMart ad hoc reporting must be available at detail and summary levels. Detail levels would include all available loan level data fields. Summary level could be any combination of detail or automated accounting feed fields.
- e) FFEL Servicing Trial Balance by Portfolio – using FSA/FMS transactional account mapping, must be capable of producing daily, weekly, ad hoc, and monthly trial balances at a summary and detailed transactional level to facilitate reconciliations. If multiple databases are employed each database will be reported individually as well as on a consolidated basis. FSA personnel must have the ability to access and run these reports.
- f) Standard functionality will enable reports/queries/trial balances on prior period activity to be created by FSA users for up to 13 months after the month-end.
- g) Daily reconciliation of financial transaction activity and portfolio loads from FFEL Servicing to DataMart reporting tool.
- h) Monthly reconciliations between the FFEL Servicing system database and the FFEL Servicing Trial Balance (balances & activity).